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& CONSULTANTS

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MERRITT TOWNSHIP
BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS
MARCH 31, 2004

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Auditing Procedures Report

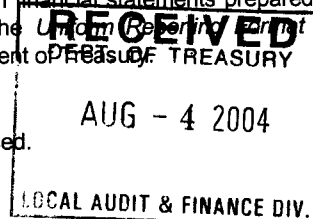
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF MERRITT	County BAY
Audit Date 3/31/04	Opinion Date 5/5/04	Date Accountant Report Submitted to State: 8-3-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting Act for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH, CPAS			
Street Address 1600 CENTER AVENUE	City BAY CITY	State MI	ZIP 48707-0775
Accountant Signature <i>Stewart J. Reid CPA</i>		Date 8-3-04	

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INDEPENDENT AUDITORS' REPORT

May 5, 2004

Township Board
Township of Merritt
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Merritt, Bay County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Township of Merritt as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2004.

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WEINLANDER FITZHUGH

Township Board
Township of Merritt
May 5, 2004
Page 2

The accompanying management's discussion and analysis and budgetary comparison information on pages 3a through 3k and pages 24 and 25 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Merritt Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

Our discussion and analysis of the Township of Merritt's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2004.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of Merritt financially as a whole. The *Township-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Township-wide financial statements by providing information about the Township's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Township-wide financial statements for the Township's water operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Road Construction Fund (Required Supplemental Information)

Other Supplemental Information

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, Governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between Governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Township-wide statements.

This fund presents the Township's water operations that are managed by the Bay County Department of Water and Sewer. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2003.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

Fiduciary Funds

The Township is the trustee, of fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2004.

<u>Exhibit A</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current and other assets	\$ 1,365,000	\$ 133,000	\$ 1,498,000
Capital assets - Net of accumulated depreciation	<u>304,000</u>	<u>3,756,000</u>	<u>4,060,000</u>
Total assets	<u>1,669,000</u>	<u>3,889,000</u>	<u>5,558,000</u>
Liabilities			
Current liabilities	24,000	234,000	258,000
Long-term liabilities	<u>0</u>	<u>3,086,000</u>	<u>3,086,000</u>
Total liabilities	<u>24,000</u>	<u>3,320,000</u>	<u>3,344,000</u>
Net Assets			
Invested in property and equipment - Net of related debt	304,000	457,000	761,000
Restricted	700,000	0	700,000
Unrestricted	<u>641,000</u>	<u>112,000</u>	<u>753,000</u>
Total net assets	<u>\$ 1,645,000</u>	<u>\$ 569,000</u>	<u>\$ 2,214,000</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

Exhibit A , on the previous page, focuses on net assets. The Township's total net assets were \$2,214,000 at March 31, 2004. Capital assets net of related debt, totaling \$761,000 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$700,000 are reported separately to show legal constraints from debt requirements and legislation that limit the Township's ability to use those net assets for day-to-day operations.

The \$753,000 of unrestricted net assets of Governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, Debt Service, Capital Projects and Enterprise Funds will have a significant impact on the change in unrestricted net assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 30, 2004. Exhibit B provides a summary of the Township's operations for the year. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Exhibit B</u>			
Revenue			
Program revenue:			
Charges for services	\$ 28,000	\$ 414,000	\$ 442,000
Grants and contributions	6,000	0	6,000
General revenue:			
Property taxes	577,000	0	577,000
State revenue sharing	113,000	0	113,000
Interest and investment earnings	12,000	0	12,000
Other	89,000	0	89,000
	<u>825,000</u>	<u>414,000</u>	<u>1,239,000</u>
Total revenue			
	<u>825,000</u>	<u>414,000</u>	<u>1,239,000</u>
Function/Program Expenses			
General government	158,000	0	158,000
Public safety	65,000	0	65,000
Highways, streets and bridges	102,000	0	102,000
Recreation and culture	500	0	500
Drain at large	9,000	0	9,000
Sanitation	59,000	0	59,000
Protective inspections	7,000	0	7,000
Other	73,000	0	73,000
Payment to Enterprise Fund	315,000	0	315,000
Water and sewer	0	397,000	397,000
	<u>788,500</u>	<u>397,000</u>	<u>1,185,500</u>
Total expenses			
	<u>788,500</u>	<u>397,000</u>	<u>1,185,500</u>
Increase (Decrease) in Net Assets	<u>\$ 36,500</u>	<u>\$ 17,000</u>	<u>\$ 53,500</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

As reported in the statement of activities, the cost of all of our *Governmental and business-type* activities this year was \$1,185,500. Certain activities were partially funded by \$442,000 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with contributions of \$6,000. We paid for the remaining "public benefit" portion of our Governmental and business-type activities with \$577,000 in taxes, \$113,000 in State revenue sharing, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase (decrease) in net assets of \$53,500, mainly due to actual expenditures being less than anticipated. There were no significant revenue increases this year. The increase (decrease) in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

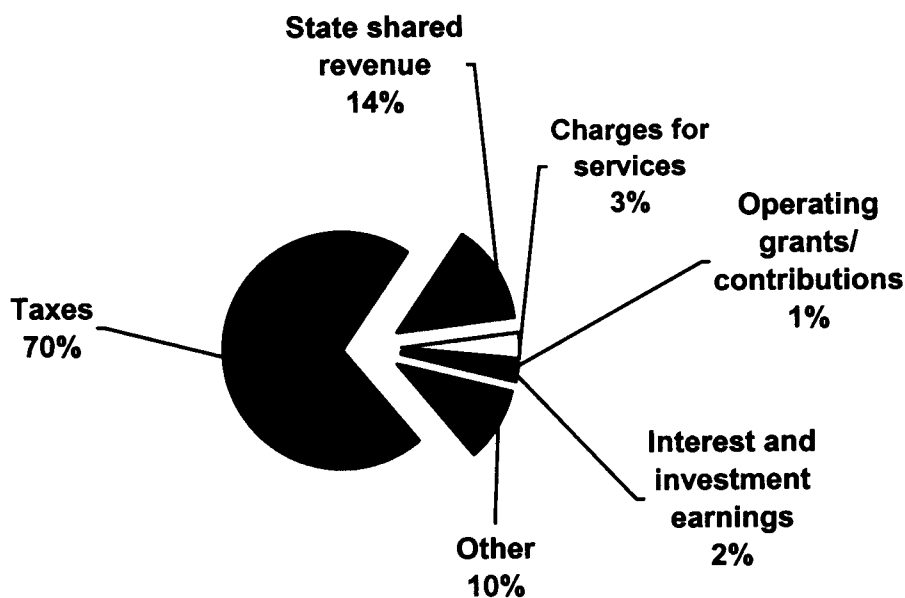
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's Governmental funds reported a combined fund balance of \$1.34 million, which is above last year's total of \$1.29 million. The schedule below details the fund balance and the total change in fund balances as of March 31, 2004 and 2003.

	Fund Balance March 31, 2004	Fund Balance March 31, 2003	Increase (Decrease)
General fund	\$ 334,000	\$ 347,000	\$ (13,000)
Special Revenue funds	307,000	209,000	98,000
Debt Service funds	697,000	718,000	(21,000)
Capital Projects fund	4,000	14,000	(10,000)
Total	<u>\$ 1,342,000</u>	<u>\$ 1,288,000</u>	<u>\$ 54,000</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

The graph below details the major sources of the Township's revenues.



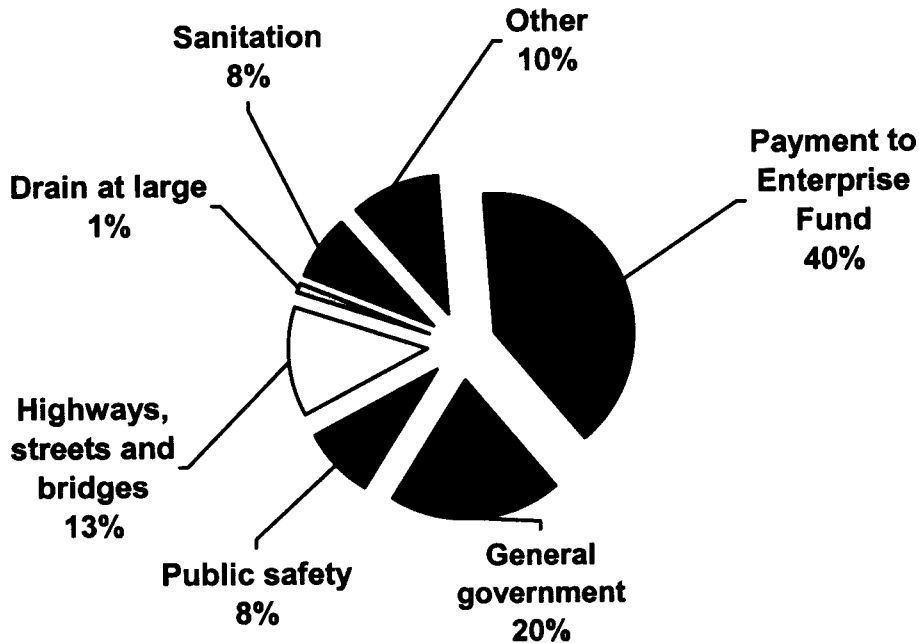
The chart below compares current year revenues with last year.

	2004 Amount	2003 Amount	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 577,000	\$ 565,275	2%
State shared revenue	113,000	123,000	-8%
Charges for services	28,000	20,425	37%
Operating grants/contributions	6,000	0	100%
Interest and investment earnings	12,000	14,000	-14%
Other	89,000	198,000	-55%
Total	<u>\$ 825,000</u>	<u>\$ 920,700</u>	<u>-10%</u>

Revenues are down \$95,000 or 10% mainly due to the receipt of advance payments by taxpayers in the water special assessment districts in 2003. We did not receive as many advance payments this year.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

The graph below details the major expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2004 Amount	2003 Amount	Percentage Change
<i>Expenditures by Function</i>			
General Government	\$ 153,000	\$ 155,000	-1%
Public Safety	31,000	29,000	7%
Highways, streets, and bridges	102,000	90,000	13%
Drain at large	9,000	9,500	-5%
Sanitation	59,000	58,000	2%
Capital outlay	73,000	261,000	-72%
Other	31,000	38,500	-19%
Payment to Enterprise Fund	315,000	359,000	100%
Total	<u>\$ 773,000</u>	<u>\$ 1,000,000</u>	<u>-23%</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

Expenditures are down \$227,000 from the prior year mostly due to water line construction in District FGH in 2003. Other one time purchases in 2003 were air conditioners for the township hall, heat sensors installed at the township hall, and a fuel storage tank area was built.

Water System Fund -The Township's Proprietary fund (the Bay County DWS Merritt-Portsmouth Water Enterprise Fund) reported net assets of \$569,000, which is a slight increase of \$16,000 over last years net assets of \$552,000. Operating revenues exceeded operating expenses for the year.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues remained the same throughout the fiscal year.
- Budgeted expenditures were increased about \$32,000 during the fiscal year. The overall change was not significant.
- Actual expenditures for the year were \$66,000 less than anticipated, mainly in the general government area. This was because anticipated expenditures, mainly in the fire department, were not required.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

Capital Assets

At March 31, 2004, the Township had \$5.8 million invested in a broad range of capital assets, including land, buildings, furniture, equipment and water systems. This amount represents a net decrease (including additions and disposals) of approximately \$74,000, or 1.8%, from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 93,500	\$ 93,500	\$ 0	\$ 0	\$ 93,500	\$ 93,500
Buildings and improvements	742,874	720,267	0	0	742,874	720,267
Vehicles	341,585	341,585	0	0	341,585	341,585
Machinery and equipment	112,189	112,189	0	0	112,189	112,189
Water system	0	0	4,489,467	4,439,062	4,489,467	4,439,062
 Total capital assets	 1,290,148	 1,267,541	 4,489,467	 4,439,062	 5,779,615	 5,706,603
 Less accumulated depreciation	 986,617	 947,734	 733,108	 624,902	 1,719,725	 1,572,636
 Net capital assets	 <u>\$ 303,531</u>	 <u>\$ 319,807</u>	 <u>\$ 3,756,359</u>	 <u>\$ 3,814,160</u>	 <u>\$ 4,059,890</u>	 <u>\$ 4,133,967</u>

This year's additions of \$22,607 included building improvements. No debt was issued for these improvements.

We present more detailed information about our capital assets in the notes to the financial statements. We anticipate capital additions next year will be as follows:

Install 529 feet of sidewalk	\$ 6,665
Install one half of Walking Trail	25,200
Construction of waterline in District I	142,000

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2004

Debt

At the end of this year, the Township had \$3.4 million in long-term debt outstanding versus \$3.5 in the previous year – a change of 3.8%. All of the Township's debt is related to water system improvements and is reported in the proprietary fund as the Bay County Department of Water and Sewer Merritt-Portsmouth Enterprise Fund. This debt is summarized as follows:

	<u>2004</u>	<u>2003</u>
Revenue Bonds	\$ 205,100	\$ 219,100
Special Assessment Bonds	3,161,698	3,281,300
	<u>\$ 3,366,798</u>	<u>\$ 3,500,400</u>

The Township's General Obligation Bond rating continues to be equivalent to the State's credit rating. We anticipate issuing debt next year to finance the water line construction in District I.

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. We will need to adjust Township expenditures in response to any revenue shortfall.

In the August 2004 primary, the citizens will be asked to support a millage for the purchase of a new fire truck.

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 48 East Munger Road, Munger, MI 48747

Merritt Township
Statement of Net Assets
March 31, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments	\$ 1,324,216	\$ 90,037	\$ 1,414,253
Receivables:			0
Accounts receivable	0	42,603	42,603
Accrued interest receivable	0	57	57
Prepaid expenses	0	290	290
Taxes receivable	41,163	0	41,163
Capital assets less accumulated depreciation of \$1,719,739	303,531	3,756,359	4,059,890
 Total assets	 1,668,910	 3,889,346	 5,558,256
<u>Current Liabilities</u>			
Bonds payable	0	194,255	194,255
Accounts payable	23,787	15,125	38,912
Accrued interest payable	0	24,082	24,082
Hall security deposit	600	187	787
Compensated absences	0	769	769
Total current liabilities	24,387	234,418	258,805
 Long-term liabilities:			
Compensated absences	0	4,409	4,409
Bonds payable	0	3,081,137	3,081,137
Total long-term liabilities	0	3,085,546	3,085,546
 Total liabilities	 24,387	 3,319,964	 3,344,351
<u>Net Assets</u>			
Investment in capital assets - net of related debt	303,531	456,885	760,416
Restricted for debt service	696,577	0	696,577
Restricted for capital projects	3,720	0	3,720
Unrestricted	640,695	112,497	753,192
 Total net assets	 \$ 1,644,523	 \$ 569,382	 \$ 2,213,905

See accompanying notes to financial statements.

Merritt Township
Statement of Activities
For the Year Ended March 31, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants/Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
General government	\$ 157,804	\$ 16,564	\$ 0	\$ (141,240)	\$ 0	\$ (141,240)
Public safety	65,159	0	0	(65,159)	0	(65,159)
Highways streets and bridges	101,570	0	0	(101,570)	0	(101,570)
Recreation and culture	475	0	6,000	5,525	0	5,525
Drain at large	9,330	0	0	(9,330)	0	(9,330)
Sanitation	58,414	0	0	(58,414)	0	(58,414)
Protective inspections	7,296	11,820	0	4,524	0	4,524
Other	73,378	0	0	(73,378)	0	(73,378)
Payment to Enterprise Fund	315,383	0	0	(315,383)	0	(315,383)
Total governmental activities	788,809	28,384	6,000	(754,425)	0	(754,425)
Business-type activities:						
Water	397,030	413,877	0	0	16,847	16,847
Total business-type activities	397,030	413,877	0	0	16,847	16,847
Total	\$ 1,185,839	\$ 442,261	\$ 6,000	(754,425)	16,847	(737,578)
General revenues:						
Taxes				576,835	0	576,835
State shared revenue				113,224	0	113,224
Interest and investment earnings				11,745	0	11,745
Other				89,203	0	89,203
Total general revenues				791,007	0	791,007
Change in net assets				36,582	16,847	53,429
Net assets - beginning of year				1,607,941	552,535	2,160,476
Net assets - end of year				\$ 1,644,523	\$ 569,382	\$ 2,213,905

See accompanying notes to financial statements.

Merritt Township
Governmental Funds
Balance Sheet
March 31, 2004

	Special					Debt Service Funds			Other Nonmajor Governmental Funds	Total
	Revenue Fund									
	General	Road Construction Fund	Water A & B	Water C, D&E						
<u>ASSETS</u>										
Cash and investments	\$ 334,109	\$ 175,789	\$ 328,758	\$ 284,291	\$ 201,269	\$ 1,324,216				
Receivables:										
Taxes receivable	3,526	6,291	8,588	14,248	8,510	41,163				
Due from other funds	5,611	0	0	0	0	5,611				
Total assets	\$ 343,246	\$ 182,080	\$ 337,346	\$ 298,539	\$ 209,779	\$ 1,370,990				

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities										
Accounts payable	\$ 8,931	\$ 267	\$ 0	\$ 0	\$ 14,589	\$ 23,787				
Due to other funds	0	0	0	0	5,611	5,611				
Hall security deposits	600	0	0	0	0	600				
Total liabilities	9,531	267	0	0	20,200	29,998				
Fund Balances										
Undesignated	333,715	181,813	337,346	298,539	189,579	1,340,992				
Total liabilities and fund balances	<u>\$ 343,246</u>	<u>\$ 182,080</u>	<u>\$ 337,346</u>	<u>\$ 298,539</u>	<u>\$ 209,779</u>	<u>\$ 1,370,990</u>				

See accompanying notes to financial statements.

Merritt Township
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
March 31, 2004

Total fund balances - governmental funds	\$ 1,340,992
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Amounts reported for governmental activities in the statements
of activities are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

Cost of the capital assets	1,290,148	
Accumulated depreciation	<u>(986,617)</u>	<u>303,531</u>

Total net assets - governmental activities	<u>\$ 1,644,523</u>
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See accompanying notes to financial statements.

Merritt Township
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended March 31, 2004

	Special Revenue Fund					Debt Service Funds			Other Nonmajor Governmental Funds	Total
	General	Road Construction Fund	Water A & B	Water C,D&E						
Revenues										
Taxes	\$ 72,705	\$ 124,432	\$ 94,840	\$ 158,832				\$ 126,026	\$	\$ 576,835
State shared revenue	111,801	0	0	0				1,423		113,224
Charges for services	16,564	0	0	0				0		16,564
Interest	3,825	0	6,964	844				112		11,745
Licenses and permits	0	0	0	0				11,820		11,820
Other	15,862	842	22,977	4,155				11,368		55,204
Total revenues	220,757	125,274	124,781	163,831				150,749		785,392
Expenditures										
General government	153,463	0	0	0				0		153,463
Public safety	28,028	0	0	0				2,589		30,617
Highways, streets and bridges	12,277	89,293	0	0				0		101,570
Drain at large	9,330	0	0	0				0		9,330
Recreation activities	0	0	0	0				475		475
Protective inspections	0	0	0	0				7,296		7,296
Sanitation	760	0	0	0				57,654		58,414
Other	2,510	0	8,272	9,757				52,839		73,378
Capital outlay	22,607	0	0	0				0		22,607
Payment to Enterprise Fund for debt service	0	0	106,957	195,958				12,468		315,383
Total expenditures	228,975	89,293	115,229	205,715				133,321		772,533
Excess of revenues over under expenditures	(8,218)	35,981	9,552	(41,884)				17,428		12,859
Other Financing Sources (Uses)										
Proceeds from issuance of debt	0	0	0	0				40,000		40,000
Operating transfers in from other funds	0	0	0	0				5,000		5,000
Operating transfers out to other funds	(5,000)	0	0	0				0		(5,000)
Total other financing sources (uses)	(5,000)	0	0	0				45,000		40,000
Net change in fund balance	(13,218)	35,981	9,552	(41,884)				62,428		52,859
Fund balance - beginning of year	346,933	145,832	327,794	340,423				127,151		1,288,133
Fund balance - end of year	\$ 333,715	\$ 181,813	\$ 337,346	\$ 298,539				\$ 189,579		\$ 1,340,992

See accompanying notes to financial statements.

Merritt Township
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2004

Net change in fund balances - total governmental funds	\$ 52,859
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(38,883)
Capital outlay	<u>22,606</u>
Change in net assets of governmental activities	<u><u>\$ 36,582</u></u>

See accompanying notes to financial statements.

Merritt Township
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended March 31, 2004

Gross service charges	\$ 117,998
Water costs	<u>58,844</u>
Gross profit	<u>59,154</u>
Operating revenues:	
Service connections	79,755
Charges, fees, etc.	<u>951</u>
Total operating revenues	<u>80,706</u>
Operating expenses:	
Personal services	66,306
Utilities	1,918
Operation and maintenance	15,238
Administration	8,493
Fiscal and other charges	2,059
Depreciation	<u>108,206</u>
Total operating expenses	<u>202,220</u>
Operating income (loss)	(62,360)
Nonoperating revenues (expenses):	
Interest income	959
Interest expense	(158,829)
Capital contributions by local units	93
Payment by local unit	272,965
Payment to local unit	<u>(35,981)</u>
Change in net assets	16,847
Net assets - beginning of year	<u>552,535</u>
Net assets - end of year	<u><u>\$ 569,382</u></u>

See accompanying notes to financial statements

Merritt Township
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2004

Cash flows from operating activities:	
Cash received from customers	\$ 122,990
Cash payments to suppliers for goods and services	(84,177)
Cash payments to employees for services	(64,883)
Other operating income	<u>80,705</u>
Net cash provided by operating activities	<u>54,635</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(169,857)
Interest paid on long-term debt	(160,218)
Payments from local units	<u>237,077</u>
Net cash (used) by capital and related financing activities	<u>(92,998)</u>
Cash flows from investing activities:	
Interest and investment earnings	<u>967</u>
Net (decrease) in cash and cash equivalents	(37,396)
Cash and cash equivalents, beginning of year	<u>123,226</u>
Cash and cash equivalents, end of year	<u><u>\$ 90,037</u></u>
<u>Reconciliation of Operating Income To Net Cash Provided by Operating Activities</u>	
Operating income (loss)	\$ (62,360)
Adjustment to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	108,206
Changes in assets and liabilities	
Accounts receivable	4,999
Prepaid expenses	(80)
Accounts payable	2,455
Accrued liabilities	<u>1,415</u>
Net cash provided by operating activities	<u><u>\$ 54,635</u></u>

See accompanying notes to financial statements

Merritt Township
Statement of Fiduciary Net Assets
March 31, 2004

		<u>Tax Fund</u>
	<u>ASSETS</u>	
Cash and investments		<u>\$ 1,189</u>
	<u>LIABILITIES</u>	
Due to other governmental units		<u>\$ 1,189</u>

See accompanying notes to financial statements.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Merritt conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Merritt:

Reporting Entity

The Township of Merritt is governed by an elected five member council (Board). The accompanying financial statements present the financial position and results of operations for the Township and its component units, entities for which the government is considered to be financially accountable.

These statements also include the water system managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2003. This fund is the Township's only proprietary fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The Government reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Road Construction Fund – The Road Construction Fund is used to record transactions relative to the repairs and upgrades to existing roads of the Township.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Water A & B – The Water A & B Fund is used to record transaction for the funding and payment of principal and interest of certain water main improvements.

Water C, D & E – The Water C, D & E Fund is used to record transactions for the funding and payment of principal and interest of certain water main improvements.

Bay County Department of Water and Sewer Merritt-Portsmouth Enterprise Fund – This fund accounts for the activities of providing water service to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township. This fund is the Township's only proprietary fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 40 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	15 to 40 Years
Building improvements	15 to 20 Years
Water and sewer lines	40 Years
Vehicles	7 to 12 Years
Office and computer equipment	5 to 7 Years

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change – Effective April 1, 2003, the Government implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Government's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Government's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Government's activities have been provided. Statement 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets at April 1, 2003 have been restated as follows:

Total fund equity per 2003 financial statements	\$ 1,262,864
Change to full accrual	25,269
Capital assets owned by the Township	1,267,541
Accumulated depreciation on capital assets	(947,733)
Water Fund assets managed by Bay County DWS	<u>552,535</u>
Net assets at April 1, 2003, as restated	<u>\$ 2,160,476</u>

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Township of Merritt follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Government's supervisor submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund and Road Construction Fund is presented as Required Supplemental Information.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 2 – BUDGETS (CONTINUED)

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township of Merritt incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Capital outlay	\$ 10,000	\$ 22,207	\$ 12,207

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Government's deposits are in accordance with statutory authority.

At year-end, the Government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 1,318,216	\$ 90,037	\$ 1,189	\$ 1,409,442
Restricted assets	<u>6,000</u>	<u>0</u>	<u>0</u>	<u>6,000</u>
Total	<u>\$ 1,324,216</u>	<u>\$ 90,037</u>	<u>\$ 1,189</u>	<u>\$ 1,415,442</u>

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 1,315,848
Investments	99,544
Petty cash and cash on hand	<u>50</u>
Total	<u><u>\$ 1,415,442</u></u>

The bank balance of the Government's deposits is \$1,359,458, of which \$424,064 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances not subject to categorization were as follows:

Merrill Lynch Money Market Mutual Funds	<u><u>\$ 99,544</u></u>
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Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 93,500	\$ 0	\$ 0	\$ 93,500
Capital assets being depreciated:				
Buildings and Improvements	720,267	22,607	0	742,874
Vehicles	341,585	0	0	341,585
Machinery and equipment	112,189	0	0	112,189
Subtotal	<u>1,174,041</u>	<u>22,607</u>	<u>0</u>	<u>1,196,648</u>
Less accumulated depreciation for:				
Buildings	667,067	6,027	0	673,094
Vehicles	203,579	20,766	0	224,345
Machinery and equipment	77,088	12,090	0	89,178
Subtotal	<u>947,734</u>	<u>38,883</u>	<u>0</u>	<u>986,617</u>
Net capital assets being depreciated	<u>226,307</u>	<u>(16,276)</u>	<u>0</u>	<u>210,031</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 319,807</u>	<u>\$ (16,276)</u>	<u>\$ 0</u>	<u>\$ 303,531</u>
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Water system	\$ 4,439,062	\$ 50,405	\$ 0	\$ 4,489,467
Less accumulated depreciation for:				
Water system	<u>624,902</u>	<u>108,206</u>	<u>0</u>	<u>733,108</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 3,814,160</u>	<u>\$ (57,801)</u>	<u>\$ 0</u>	<u>\$ 3,756,359</u>

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 4,341
Public safety	<u>34,542</u>
Total governmental activities depreciation expense	<u>\$ 38,883</u>
Business-type activities:	
Water	<u>\$ 108,206</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at March 31, 2004 and transfers made during the year ended March 31, 2004 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 5,611	\$ 0	\$ 0	\$ 5,000
Recreation Fund	0	0	5,000	0
Fire Fund	<u>0</u>	<u>5,611</u>	<u>0</u>	<u>0</u>
	<u>\$ 5,611</u>	<u>\$ 5,611</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>

Transfers are used to (1) supplement operational costs, and (2) reflect funding support for debt service.

NOTE 6- LONG-TERM DEBT

All of the Township's debt is related to water system improvements and is reported in the proprietary fund as the Bay County Department of Water and Sewer Merritt-Portsmouth Enterprise Fund. The following detail shows what is owed by the Township, but does not agree exactly to the financial statements because (1) the amounts are reported as of December 31, 2003, and (2) a percentage allocation was applied to the total DWS amounts to arrive at Merritt's portion. The difference is not significant.

All of the Township's debt is considered special assessment bonds except for the 1977 bond issue, which is a revenue bond. The Township has pledged its full faith and credit for the special assessment bonds.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 6- LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
1977 Merritt-Portsmouth Water Extension Bonds, due in annual installments through 2016 with an interest rate of 5%. The bonds are being repaid by customer charges.	\$ 219,100	\$ (14,000)	\$ 205,100
1998 Merritt-Portsmouth Townships Water Extension General Obligation Bonds, dated July 1, 1998, due in annual installments through May 1, 2018, bearing interest rates of 4.7% to 4.75%.	1,032,300	(59,602)	972,698
2000 Merritt Township Water Extension General Obligation Bonds, dated September 1, 2000, due in annual installments through November 1, 2020, bearing interest rates of 4.85% to 5.25%	1,955,000	(100,000)	1,855,000
2002 Installment Purchase Agreement, due in annual installments through November 1, 2017, bearing interest rate of 5.9%.	100,000	0	100,000
2002 Special Assessment Water Bonds, due in semi-annual installments through November 1, 2017, bearing interest rates of 2.45% to 5.15%	194,000	0	194,000
2003 Installment Purchase Agreement, due in annual installments through November 1, 2017, bearing interest rate of 4.59%.	<u>0</u>	<u>40,000</u>	<u>40,000</u>
Total	<u>\$ 3,500,400</u>	<u>\$ (133,602)</u>	<u>\$ 3,366,798</u>

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2003	Additions	Retirements and Payments	Balance March 31, 2004	Amount Due Within One Year
Bonds	<u>\$3,500,400</u>	<u>\$40,000</u>	<u>\$173,602</u>	<u>\$3,366,798</u>	<u>\$ 196,601</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 196,601	\$ 155,294
2006	198,001	146,516
2007	201,386	137,581
2008	207,786	128,383
2009	209,186	118,994
2010-2014	1,084,533	516,209
2015-2019	1,039,305	189,258
2020-2021	<u>230,000</u>	<u>12,075</u>
Total	<u>\$ 3,366,798</u>	<u>\$ 1,404,310</u>

NOTE 7 – PENSION PLAN

The Township provides pension benefits through a defined contribution plan with Manulife Financial. The Township contributes 15% of compensation for eligible employees. The Township's pension expense for the year ended March 31, 2004 amounted to \$7,011.

NOTE 8 – DEFICIT FUND BALANCE

The Township's Fire Equipment Fund has a deficit fund balance because it borrowed money to purchase a fire truck. The deficit will be eliminated through future tax collections.

Merritt Township
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 70,898	\$ 70,898	\$ 72,705	\$ 1,807
Licenses and permits	100	100	60	(40)
State shared revenue	114,000	114,000	111,801	(2,199)
Charges for services	14,100	14,100	16,564	2,464
Fines and forfeitures	0	0	137	137
Investment income	11,150	11,150	3,689	(7,461)
Miscellaneous revenues	9,000	9,000	15,801	6,801
Total revenues	219,248	219,248	220,757	1,509
<u>Expenditures</u>				
General government	181,300	201,900	153,863	48,037
Public safety	43,250	43,250	28,028	15,222
Highways, street and bridges	13,700	24,780	12,277	12,503
Drain at large	10,000	10,000	9,330	670
Sanitation	600	1,080	760	320
Other charges	4,000	4,000	2,510	1,490
Capital outlay	10,000	10,000	22,207	(12,207)
Total expenditures	262,850	295,010	228,975	66,035
Excess of revenues over expenditures	(43,602)	(75,762)	(8,218)	67,544
<u>Other Financing (Uses)</u>				
Operating transfers out to other funds	(5,000)	(5,000)	(5,000)	0
Net change in fund balance	(48,602)	(80,762)	(13,218)	67,544
Fund balance - beginning of year	341,457	341,457	346,933	5,476
Fund balance - end of year	\$ 292,855	\$ 260,695	\$ 333,715	\$ 73,020

Merritt Township
Required Supplemental Information
Budgetary Comparison Schedule - Road Construction Fund
For the Year Ended March 31, 2004

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 120,741	\$ 120,741	\$ 124,432	\$ 3,691
Miscellaneous revenues	9,000	0	842	842
Total revenues	<u>129,741</u>	<u>120,741</u>	<u>125,274</u>	<u>4,533</u>
<u>Expenditures</u>				
Highways, street and bridges	150,000	251,000	89,293	161,707
Contingency	122,716	21,716	0	21,716
Total expenditures	<u>272,716</u>	<u>272,716</u>	<u>89,293</u>	<u>183,423</u>
Excess of revenues over (under) expenditures	(142,975)	(151,975)	35,981	187,956
Fund balance - beginning of year	<u>150,000</u>	<u>341,457</u>	<u>145,832</u>	<u>(195,625)</u>
Fund balance - end of year	<u>\$ 7,025</u>	<u>\$ 189,482</u>	<u>\$ 181,813</u>	<u>\$ (7,669)</u>

Merritt Township
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2004

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	
	Liquor Law Enforcement Fund	Garbage and Rubbish Collection Fund	Fire Equipment Fund	Recreation Fund	Inspection Fund	Budget Stabilization Fund	Water F, G&H	Water Blumfield	Capital Projects	Totals
<u>ASSETS</u>										
Cash and investments	\$ 832	\$ 90,674	\$ 0	\$ 16,617	\$ 6,852	\$ 23,209	\$ 27,703	\$ 31,662	\$ 3,720	\$ 201,269
Taxes receivable	0	5,085	2,098	0	0	0	1,327	0	0	8,510
Total assets	<u>\$ 832</u>	<u>\$ 95,759</u>	<u>\$ 2,098</u>	<u>\$ 16,617</u>	<u>\$ 6,852</u>	<u>\$ 23,209</u>	<u>\$ 29,030</u>	<u>\$ 31,662</u>	<u>\$ 3,720</u>	<u>\$ 209,779</u>
<u>LIABILITIES AND FUND BALANCES</u>										
<u>Liabilities</u>										
Accounts payable	\$ 0	\$ 14,589	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,589
Due to other funds	0	0	5,611	0	0	0	0	0	0	5,611
Total liabilities	0	14,589	5,611	0	0	0	0	0	0	20,200
<u>Fund Balances</u>										
Undesignated	832	81,170	(3,513)	16,617	6,852	23,209	29,030	31,662	3,720	189,579
Total Liabilities and Fund Balances	<u>\$ 832</u>	<u>\$ 95,759</u>	<u>\$ 2,098</u>	<u>\$ 16,617</u>	<u>\$ 6,852</u>	<u>\$ 23,209</u>	<u>\$ 29,030</u>	<u>\$ 31,662</u>	<u>\$ 3,720</u>	<u>\$ 209,779</u>

Merritt Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended March 31, 2004

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Totals
	Liquor Law Enforcement Fund	Garbage and Rubbish Collection Fund	Fire Equipment Fund	Recreation Fund	Inspection Fund	Budget Stabilization Fund	Water F.G.&H	Water Blumfield	Capital Projects Fund	Totals
<u>Revenues</u>										
Taxes	\$ 0	\$ 64,649	\$ 41,500	\$ 0	\$ 0	\$ 0	\$ 17,964	\$ 1,913	\$ 0	\$ 126,026
State shared revenue	1,423	0	0	0	0	0	0	0	0	1,423
Interest	0	0	0	0	0	0	34	65	13	112
Other	0	0	0	6,000	0	0	1,848	3,520	0	11,368
Licenses and permits	0	0	0	0	11,820	0	0	0	0	11,820
Total revenues	1,423	64,649	41,500	6,000	11,820	0	19,846	5,498	13	150,749
<u>Expenditures</u>										
Public safety	2,589	0	0	0	0	0	0	0	0	2,589
Recreation activities	0	0	0	475	0	0	0	0	0	475
Protective inspections	0	0	0	0	7,296	0	0	0	0	7,296
Sanitation	0	57,654	0	0	0	0	0	0	0	57,654
Other	0	0	0	0	0	0	1,601	833	50,405	52,839
Payment to Enterprise Fund for debt service	0	0	0	0	0	0	12,468	0	0	12,468
Total expenditures	2,589	57,654	0	475	7,296	0	14,069	833	50,405	133,321
Excess of revenues over (under) expenditures	(1,166)	6,995	41,500	5,525	4,524	0	5,777	4,665	(50,392)	17,428
<u>Other Financing Sources</u>										
Proceeds from issuance of debt	0	0	0	0	0	0	0	0	40,000	40,000
Operating transfers in (out)	0	0	0	5,000	0	0	0	0	0	5,000
Total other financing sources	0	0	0	5,000	0	0	0	0	40,000	45,000
Net change in fund balance	(1,166)	6,995	41,500	10,525	4,524	0	5,777	4,665	(10,392)	62,428
Fund balance - beginning of year	1,998	74,175	(45,013)	6,092	2,328	23,209	23,253	26,997	14,112	127,151
Fund balance - end of year	\$ 832	\$ 81,170	\$ (3,513)	\$ 16,617	\$ 6,852	\$ 23,209	\$ 29,030	\$ 31,662	\$ 3,720	\$ 189,579